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Supreme Court of the United States

OCTOBER TERM 1937.

No. [REDACTED]

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KELLOGG COMPANY,

Petitioner-Appellee-Defendant,

against

NATIONAL BISCUIT COMPANY

Respondent-Appellant-Plaintiff.

PETITION FOR REHEARING AND APPLICATION
TO WITHHOLD ORDER DENYING WRIT
OF CERTIORARI.

W. H. CRICHTON CLARKE,
EDWARD S. ROGERS,
ROBERT T. McCRACKEN,
Counsel for Petitioner.

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Supreme Court of the United States,

OCTOBER TERM 1937.

No. 396.

KELLOGG COMPANY,
Petitioner-Appellee-Defendant,
against

NATIONAL BISCUIT COMPANY,
Respondent-Appellant-Plaintiff.

**PETITION FOR REHEARING AND APPLICATION TO
WITHHOLD ORDER DENYING WRIT OF CERTIORARI.**

Statement.

Respondent brought this suit in the District Court in Delaware in 1932 for infringement of certain alleged trademarks consisting of (a) the formerly patented design, shape or appearance of the ordinary and well known shredded wheat biscuit which had been protected up until 1912 by forty-one patents on the design of the biscuit, the fabricated product or biscuit itself and the method of and machinery for automatically making and shaping it (b) the words "shredded wheat" which had been used throughout said patents to describe the biscuit and (c) the representation or pictorial description of the biscuit. These three "rights" were claimed as perpetual trademark monopolies by virtue of use since the expiration of the patents and in spite of specific statutory disclaimers by respondent of the representation of the biscuit and of the words shredded wheat as trademarks.

There should be no misapprehension as to the character or scope of the perpetual monopoly claimed and granted by the second decision below. The rectangular, formerly

patented biscuit represents the only known means of marketing shredded wheat. Ribbon wheat can be marketed in other shapes but no other practicable means of making, packing and shipping the fragile product, shredded wheat, is known to Petitioner and none was proved by Respondent.

After trial, Judge Nields in the District Court dismissed the bill on the ground that after the expiration of the patents the defendant had a right to make and illustrate the formerly patented design and product and to describe it as Kellogg's Shredded Wheat, (*Singer v. June*, 163 U. S. 169), and that there had been no unfair competition or deception of the public by defendant.

On appeal, the Circuit Court of Appeals for the Third Circuit, composed of Circuit Judges Bruffington, Davis and Thompson, unanimously affirmed the District Court, adopting the finding of the Trial Court that:—

“The testimony of a hundred witnesses from all parts of the country establishes there was no passing off of defendant's biscuit for plaintiff's . . .”

Rehearing was granted and the same judges then unanimously reversed themselves on the law, holding that because no member of the public except respondent had been manufacturing the biscuit in issue in the years from 1919 to 1921 and from 1923 to 1927, the rights of plaintiff had become perpetual and exclusive in the patent expired product and in the pictorial and verbal description thereof.

An accounting was ordered and the mandate and injunction withheld pending a petition for certiorari.

Application for certiorari was made to this honorable Court by petitioner and denied October 25th, 1935.

The order denying certiorari was stayed by Mr. Justice Brandeis until the disposition of this petition for rehearing.

Petitioner hereby respectfully prays for a rehearing of its said application for a writ of certiorari or for a further stay of the order denying the writ.

The grounds of this application are:—

1.

In view of the international situation the writ should be granted or the order denying the same stayed.

A controversy precisely similar to this has arisen in Canada between subsidiaries of these same parties. The Canadian Court of first instance held that the name "shredded wheat" and the form of the biscuit had gone into the public domain as the result of the expiration of the patents and that the Defendant's goods were adequately distinguished as to origin. The Defendant in Canada is using the same package as Petitioner's, the same name and the same form of biscuit. On appeal to the Court of Appeals of Ontario the decision of the Court of first instance dismissing the bill was unanimously affirmed. An appeal has been taken to the Privy Council in London, which is set for argument November 25, 1937.

There is also pending in the High Court of Justice in England a proceeding brought by Petitioner's English subsidiary to rectify the Trade Mark Register by expunging the name "Shredded Wheat" therefrom. This case is set for hearing November 15, 1937. According to English custom and practice the probabilities are that the decisions in the pending cases in England will be announced at the conclusion of the argument or prior to December 1, 1937, so that prompt decision of each of these cases is to be expected.

These judgments by the English courts will govern the manufacture of the patent-expired biscuit and the use of the patent-expired term "shredded wheat" in Great Britain and generally throughout the British Empire, where large amounts of the product are sold and consumed.

The law of dedication of the patented design or product and name by patent expiration, is the same in Canada and England as it was in the United States until the second decision below.

The first decision of the Circuit Court of Appeals of the Third Circuit is in conformity with that of the Court of Appeals of Ontario. The second decision is diametrically opposite.

The law of dedication of product, design and name by patent expiration apparently has long been definitely settled in Canada and is not likely to be changed by the Privy Council.

If the Privy Council should affirm the Court of Appeals of Ontario in *Canadian Shredded Wheat Co. v. Kellogg Co. of Canada*, 1936 Ont. Rep. 613, and *Same v. Same*, 1936 Ont. Rep. 281, and the High Court of Justice decides in conformity therewith in the proceeding to rectify the register, the position in which petitioner will find itself in the marketing of its product throughout the world will be anomalous in the extreme unless this petition is granted or the order denying the writ stayed. Petitioner could lawfully then, as it can now, sell in foreign countries a formerly patented product which it is perpetually enjoined from selling in any way whatever in its own country. Respondent as a matter of right is appealing to the highest tribunal in Great Britain in a controversy in which Petitioner has been denied by the highest tribunal of its own country a review of the last one of two diametrically opposite decisions of the same judges establishing a wholly new and heretofore unheard of rule of law.

Either petitioner should be free to make and sell at home as well as abroad the formerly patented product in its formerly patented shape or fabricated form, by the formerly patented machinery which shapes it, or petitioner should not be permitted to sell the product anywhere—at least where Anglo-Saxon law prevails—and certainly the domestic part of the business should not be condemned to death while the foreign part is permitted to live.

II.

The case is one of great national and international importance. The public is entitled to competition in the production and sale of a standard article of food. The second decision below, if not reviewed and reversed, will establish a unique American system of perpetual monopolies of formerly patented products and names disguised as trademarks and will thus take the United States out of a well established international body of patent-expiration and trademark law. This Court will also sanction a reversal or disregard of its own long established rulings by refusing either a writ or a stay.

If the second decision of the Circuit Court of Appeals for the Third Circuit is allowed to stand, the Respondent herein will have received a perpetual monopoly in the manufacture and sale of a standard article of food. Respondent, although it and its predecessors enjoyed for the full period allowed by law exclusive patent rights in this product, is now by this decision granted, long after the expiration of its patents, a perpetual monopoly not only in the manufacture and sale of the familiar shredded wheat biscuit, but a perpetual exclusive right to stop everyone else from calling the product by such name or representing the same pictorially upon its cartons and in its advertising.

Such a holding is of great national and international importance and is, we submit, at variance with well established law.

The confirmation of such perpetual monopolistic right is in direct contravention of the Constitution which authorizes patent monopolies to inventors, *for a limited time only*.

This decision is contrary to the long recognized doctrine set forth in Mr. Justice White's opinion in *Singer v. June*, *supra*, and Mr. Justice Sutherland's in *Eli Lilly v. Warner*, 265 U. S. 526.

These cases have for years defined, limited and denied the right to monopolistic control of patent-expired articles

of commerce and the use of appropriate language to describe them in trade. If this decision of the Circuit Court of Appeals remains unreversed, an entirely new theory and practice of trade monopolies will become law. A multitude of patented articles, though the patent protection may long since have expired, will come under the protection of this ruling. Any number of producers of such articles, in reliance upon it, will claim perpetual monopolistic rights in the functional shape or appearance and in the descriptive names of their products in direct contravention of the Constitution and of previous decisions of this Court.

The second decision below is also directly at variance with the decision of the Second Circuit in *DuPont Cellophane v. Waxed Products Co.*, 85 Fed. (2) 75.

The case is also contrary to long established law in that the injunction ordered prohibits even fair competition. Respondent's case failed at first in trial and appellate court alike on both the law and the facts. Both courts held, as law, that unless the defendant was selling its goods as plaintiff's, there could be no relief and as fact, that defendant was not guilty of deception or unfair competition. Then the Court of Appeals below reversed itself, not on the facts but, on the law. It held, as law, that even in the absence of fraud, deceit or misrepresentation by petitioner, a perpetual monopoly of product, design and name had arisen through respondent's exclusive occupation of the market from 1919 to 1921 and from 1923 to 1927. There is no way in which petitioner can avoid the proposed injunction. If it attached a large red Kellogg placard to every biscuit, it would still be enjoined. This ruling that relief can be based on monopoly rights of respondent rather than on wrongs or frauds of petitioner is directly contrary to the rulings of this court in

Delaware and Hudson Canal Co. v. Clark, 13 Wall. 311; and

Standard Paint Co. v. Trinidad Asphalt Mfg. Co.,
220 U. S. 446.

Briefly stated, the second decision below accomplishes the following unusual and, we submit, erroneous results:

Disregards the ruling of the Second Circuit Court of Appeals that the right of a competitor of plaintiff's to make the patent-expired shredded wheat here in issue is indubitable (*Shredded Wheat Co. v. Humphrey Cornell*, 250 Fed. 960); disregards the ruling of the same Court that plaintiff's effort to monopolize the manufacture and sale of shredded wheat is unlawful under the Sherman Anti Trust Act (*Kellogg Company v. National Biscuit Company*, 71 Fed. (2d) 662); disregards the ruling of the Court of Appeals of the District of Columbia, that shredded wheat is incapable of exclusive appropriation as a tradename (*Natural Food Company v. Williams*, 30 App. D. C. 348); disregards the ruling of the Supreme Court of Ontario that by virtue of patent expirations defendant is free to make shredded wheat and call it Kellogg's Shredded Wheat in Canada; disregards the ruling of this Court holding that after a patent expires anyone is free to make the patented product and call it by its patent name (*Singer v. June*, 163 U. S. 169); disregards the ruling of this Court holding that perpetual monopolies may not be set up under the guise of trademarks (*Delaware & Hudson Canal Co. v. Clark*, 13 Wall. 311); disregards the ruling of this Court (Mr. Justice Sutherland) holding that relief in fair trade cases cannot exceed the wrongs of the defendant and that even if the defendant there practiced deception, it could not thereby be deprived of its right to combine chocolate and quinine (*Warner v. Ely Lilly & Company*, 265 U. S. 526); disregards the ruling of this Court that so-called trademarks, once disclaimed in statutory registrations, cannot thereafter be reclaimed (*Beckwith v. Commissioner of Patents*, 252 U. S. 538, *Rahtjens v. Holzapfel*, 183 U. S. 1; *Saxlehner v. Wagner*, 216 U. S. 375).

Surely such wholesale disregard of long standing and well established precedents and of important principles of law in the fields of patents, trademarks, fair trade and monopoly should receive the scrutiny of this Court.

The results cannot be confined to this case. If the decision stands it is certain to usher in the most sweeping changes in these important fields of public law.

Viewing the case in its narrowest possible light it is still one of large public consequence. The public is a third party with its right to the benefits of competition in the production and sale of an important and standard article of food. The case is not a mere money case.

Shredded wheat cannot be marketed except as a fabricated, baked rectangular biscuit. The product is so fragile that the biscuit must be held on its four edges and cushioned by partitions in the cartons. Ribbon wheat can be fabricated in other shapes but not shredded wheat.

If the judgment below stands, the public will be saddled forever with a shredded wheat monopoly. No matter how narrowly it is viewed, that is a matter of far-reaching public consequence.

III.

The case is not unique or peculiar in its facts. Many patentees have endeavored and will endeavor to convert their patent monopolies, after expiration, into perpetual design, form and name monopolies masquerading as trademarks. The case is unique only in the new law which the second decision below attempts to set up.

The second decision below is the first instance we have been able to find in American or foreign law in which a court of last resort has enjoined the manufacture of a formerly patented product marketed under its patent or descriptive name.

The same court below once perpetually enjoined a defendant from making an ordinary, unpatented product composed of chocolate and quinine but this court granted certiorari and reversed that decree. *William Warner and Co. v. Eli Lilly & Co., supra.*

But no court, until now, so far as we know, has ever sought to renew an expired mechanical or design patent and make it perpetual. The decree below gives plaintiff as good protection as its forty-one patents afforded, if not better, and the monopoly is perpetual unless this court intervenes while Petitioner's business is still in being.

All a patentee has to do is to lower the price of his product for a few years after the expiration of his patent. That will discourage competition and give rise to a perpetual monopoly of design, form and name, under the theory of the second decision below.

IV.

No harm can come to Respondent from granting the writ or at least staying the order denying it until the international situation can be treated as a whole.

Petitioner's business is valued in excess of one million dollars. An injunction would ruin it. For this loss no adequate compensation is possible. This controversy commenced in January 1922. Petitioner has never been enjoined in its manufacture and sale of this product.

No harm can result to Respondent by withholding the injunction at this time. Petitioner is an old established concern having been engaged in business through itself and its predecessors for over thirty years, is amply responsible financially and maintains plants, agencies and distributing centers throughout the nation and in Europe, and is fully able to answer for any damages that might result to Respondent if the issuance of the injunction were stayed until final decree or at least until the international situation can be treated as a whole.

In view of the international situation respecting the parties' rights, we urge that if on this rehearing a writ of certiorari be not granted, the order denying the same be

stayed at least until the Privy Council in London decides Respondent's appeal now set for November 25, 1937.

Petitioner therefore respectfully prays this Court for a rehearing of its petition for a writ of certiorari herein and for the granting of the writ at this time or for a withholding of the order denying the writ so that petitioner's United States business may be preserved intact at least until the Privy Council acts on Respondent's Canadian appeal. For a fuller statement of the merits, we refer to the Petition for Certiorari and the brief in support thereof heretofore filed.

Respectfully submitted,

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EDWARD S. ROGERS,
ROBERT T. MCCracken,
Counsel for Petitioner.

CERTIFICATE.

I, W. H. CRICHTON CLARKE, of counsel for Petitioner herein, hereby certify that in my opinion the foregoing petition for a rehearing of the Petition for Certiorari herein and for a further stay of the order denying the same, is sound in law and that the same is presented in good faith and not for the purpose of delay.

W. H. CRICHTON CLARKE.

